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THE STEEL COMPANY OF CANADA, LIMITED / ANNUAL REPORT 1971





SIXTY-SECOND ANNUAL REPORT

for the year ended December 31, 1971

THE STEEL COMPANY OF CANADA, LIMITED

Toronto, Ontario

ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held at the Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in Toronto, at 10:30 a.m., Eastern standard time, on Monday, April 17, 1972.

TRANSFER AGENT

MONTREAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

REGISTRAR

THE ROYAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

COVER

One of the three 120-ton capacity steelmaking vessels being placed in position during construction of the new basic oxygen furnace plant at Hilton Works.

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Pour obtenir un exemplaire de la version française de ce rapport, veuillez écrire au secrétaire, The Steel Company of Canada, Limited, P.O. Box 205, Toronto-Dominion Centre, Toronto 111, Ontario.

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Proceedings
at the
Annual Meeting
of Shareholders
Monday, April 19, 1971

The Steel Company of Canada, Limited,
Toronto, Canada.

THE STEEL COMPANY OF CANADA, LIMITED

The following is a summary of the business transacted at the Annual Meeting of Shareholders, held at Toronto, Canada, on April 19, 1971.

Mr. H. M. Griffith, President and Chief Executive Officer, was Chairman of the meeting and Mr. J. W. Younger, Q.C., Secretary of the Company, was Secretary.

The Chairman reported that 76.6% of the shares outstanding were represented at the meeting either in person or by proxy.

The minutes of the Annual Meeting of Shareholders held April 20, 1970 were approved.

The Directors' report to the shareholders and the financial statements for the year 1970 were approved and adopted.

The following Directors were elected:

W. Herman Browne

Alistair M. Campbell

J. Douglas Gibson, O.B.E.

J. Peter Gordon

J. Roy Gordon

Allan Graydon, Q.C.

H. M. Griffith

Senator The Hon.

Ernest C. Manning, P.C., C.C.

Frederick C. Mannix

D. R. McMaster, Q.C.

Lucien G. Rolland

V. W. Scully, C.M.G.

H. Greville Smith, C.B.E.

Henry G. Thode, C.C., Ph.D., F.R.S.

William H. Young

Riddell, Stead & Co. were appointed auditors for the ensuing year.

*After the shareholders' meeting,
the Directors met and elected and
appointed officers as follows:*

H. M. Griffith

*Chairman of the Board and
Chief Executive Officer*

V. W. Scully

Chairman of Executive Committee

J. P. Gordon
President

H. J. Clawson
Vice-President, Personnel

N. J. Brown
Vice-President and Comptroller

R. B. Taylor
Vice-President and Treasurer

A. D. Fisher
*Vice-President, Facilities Planning,
Engineering and Research*

A. R. McMurrich
Vice-President, Marketing

G. H. G. Layt
Vice-President, Operations

J. D. Allan
Vice-President, Corporate Planning

J. W. Younger, Q.C.
Secretary and General Counsel

W. C. Chick, R. E. Karr
Assistant Comptrollers

B. M. Kinnear
Assistant Treasurer

R. F. Booth
*Assistant Secretary and
Senior Solicitor*

The Vice-Presidents appointed by the Chief Executive Officer are as follows:

L. H. Doering
Marketing Administration

A. J. Harris
Manufacturing

R. H. Macdonald
Product Sales

S. W. McDermott
Manufacturing

A. R. Oliver
Procurement

ADDRESS BY H. M. GRIFFITH

President

and Chief Executive Officer

I will touch briefly on some of the highlights of 1970's activities which are shown in detail in the Annual Report. For easy reference, I would like to call your attention to pages 22 and 23 which summarize the results of your Company and its subsidiaries over the past ten years.

Production and sales last year were at an all-time high but profit per share failed to reach the record established in 1968. Our performance in 1970 showed a sharp improvement over the previous year only because earnings in 1969 were abnormally low due to strikes which closed most of the Company's operations for a prolonged period.

In spite of our production and sales records in 1970, sharply rising costs on a wide range of supplies and services, especially raw materials and labour, eroded our profits to a point where it became mandatory to increase prices on many of the Company's products. The price increases, while complying with the voluntary guidelines established by the Prices and Incomes Commission and accepted by the business community, did not in any way compensate the Com-

pany for all the added costs incurred. In effect, and to assist the Federal Government in its drive against inflation, your Company has restricted its earnings by conforming to the guidelines.

Whatever success the Prices and Incomes Commission may have achieved in reducing inflation in Canada has been attained at the expense of business profits, private investment and employment. On the other hand, the failure of labour to adjust its demands to conform to productivity gains contains the seeds for renewed inflation which could continue to hinder business growth and thus increase unemployment. In addition, there are indications of increases in government spending which could also help to prolong inflation.

While cost increases in 1970 were more severe than in any previous year, this was not the first time that added costs in the steel industry exceeded the average annual improvement in productivity by a wide margin. Major contributors to the inflated production costs were the sharp advances in coal and scrap prices which reflected a shortage of supplies coupled with greater demands. Other items also rose significantly, particularly employment costs, as well as the costs of most materials and ser-

vices. In addition, wage rates in the construction industry have soared to a point where the economics of installing new facilities are so adversely affected that new investment is either being delayed or abandoned.

Our reaction to a deteriorating profit performance since mid-1970 has been to intensify our efforts to reduce costs and improve productivity. To achieve these ends, we are engaged in programs designed to increase the administrative effectiveness of the organization and we are also continuing to spend heavily on new plant and equipment. The bulk of the capital expenditures will make the Company more productive and efficient, but attainment of the air and water control standards essential for the preservation of the environment also requires large amounts of money for non-productive equipment. This represents a continuing cost burden which cannot be deferred.

As indicated in our Annual Report, we are dedicated to the principle of air and water quality control and we are taking all practical steps, in co-operation with regulatory authorities and others, to resolve existing problems in this area. At the same time, we are making sure that all new installations are

equipped with the latest devices for protecting the environment.

Stelco's ability to achieve its full potential in the years ahead will be influenced by a number of factors. Among the more important of these are the problems relating to Canada's economic growth, the need for increasing amounts of capital to support future expansion and meet international competition, and the country's balance of trade in steel.

(1) While no one questions the urgent need to create jobs for Canada's expanding work force, it is essential to remember that new employment opportunities will result only from a firm commitment by the Federal Government to support a sustainable rate of long-term economic growth. In the haste to reduce the current levels of unemployment, it would be all too easy to provide excessive monetary and fiscal stimuli, and a short-sighted policy of this type would simply add fuel to the continuing wage inflation which we are still experiencing. There is no single solution to Canada's unemployment problem, but a disciplined, positive approach to providing stable, real economic growth will go far towards setting the stage for other

employment policies to function effectively. Hopefully, we will receive a clear affirmation of the Federal Government's commitment to sound, economic growth when the Minister of Finance introduces legislation to amend the Income Tax Act this year.

(2) Another problem that is closely related to the tax system is the ability of Canadian industry to attract enough capital to finance future expansion. In the past, Canada has relied heavily on outside sources of capital for development. While, in the past three years, Canadian savings appear to have become more adequate in meeting domestic investment demands, the pressures on Canada's domestic capital markets are expected to intensify in the Seventies. If the nation is to be developed by Canadians, there will be a need for greater self-sufficiency in the raising of capital for investment in Canadian enterprises. Moreover, the cost of creating new jobs continues to escalate drastically. For example, since 1950, capital investment per job at Stelco has increased four-fold; from \$14,000 in 1950 to \$60,000 in 1970. Because of these growing demands on our

capital markets, it is important that economic policies be initiated which will promote and channel domestic savings into new capital formation. I can see no better way of encouraging the growth of savings in the private sector than a reduction in the share of gross national product which is taken by governments in the form of taxes.

(3) Turning briefly to Canada's steel trade balance, the keys to survival in the Seventies will continue to rest on *competitive prices, product quality and vigorous marketing*. We are already competing with very large, low-cost producers, particularly from Japan and Europe, and the long-term outlook for Canada's steel trade balance will also be influenced by a growing desire on the part of nations supplying raw materials to manufacture semi-finished steel for export. These nations seek improved access to major world markets and there is growing support in Canada for a broad reduction in import duties on their manufactured goods. However, we advocate a very careful assessment on an industry-by-industry basis of all aspects of such proposals

before entertaining a commitment to wholesale tariff reductions.

Stelco is well advanced on facilities that will raise its annual steel-making, rolling and finishing capacity to upwards of 6,000,000 tons in 1972. Moreover, we foresee the need for 9,000,000 tons of steel capacity for your Company by 1980, assuming, of course, that Canada enjoys the benefits of a healthy economy through this decade. Expansion to this level of capacity will require heavy expenditures for new raw materials sources and manufacturing facilities, but these capital outlays will only be made if the projected profitability of the investments is satisfactory.

Turning to some specific investment possibilities, I am sure you are aware that the manufacture and sale of steel pipe is an important part of our business. We have, in fact, more productive capacity and a wider range of pipe products than any other Canadian company. Our large diameter pipe mills at Welland, Ontario and Camrose, Alberta have supplied a large part of the line pipe now in use by the major pipeline companies in Canada. Nevertheless, with the increasing shortage of energy fuel in North America, the need for transmission of additional supplies from

developed areas is stimulating extensive pipe-laying programs for the next several years.

In addition, the development of oil and gas reserves in the Canadian Arctic and Alaska will lead inevitably to further major pipeline construction requiring large tonnages of pipe in various diameters. We are planning to equip ourselves to share in this potential market by extending the size range and the capacity of our pipe-making facilities. Again, however, a careful assessment of this proposed expansion has been essential as the equipment needed calls for heavy capital investment and the increasingly exacting specifications add to the costs of production.

We announced recently that a major expansion at Wabush Iron Ore Mines, including the pellet plant at Pointe Noire, had been suspended until we could be assured of a more favourable return on the investment. This expansion would give us the additional output that will be needed in a few years. While we have no shortage of iron ore reserves at this time, additional mining capacity, with a satisfactory profit potential, will be required. For the longer term, the search for further iron ore sources in Canada will continue.

Our investment in coal properties

is being increased with the development of a new mine, to be known as the "Madison Mine", in West Virginia. As stated in the Annual Report, further potential coal reserves in the Eastern United States and Western Canada are being examined and the most promising reserves are being appraised.

With respect to the development of the Lake Erie site, the uncertain economics and soaring costs of creating a modern integrated steel plant have important effects on the planning of the project. This is a green field site and the capital investment at the beginning will be relatively high due to the fact that service facilities and the production units will be designed for higher levels of output than can be expected in the first few years the plant is in operation. Accordingly, our research and engineering divisions are busy studying and assessing the newest technologies and innovations in steelmaking and processing with the object of minimizing the capital requirements and achieving a fair rate of return on the investment.

As reported, Stelco, Eaton's, and TRW will incorporate and bring into operation, in the next few weeks, a new computer services and systems company, The Canada Systems Group. London Life Insur-

ance Company, identified as a fourth partner when this venture was announced last October, will not be joining in the ultimate formation of the new company. London Life have stated that their withdrawal does not stem from any lack of confidence in the need for and success of the enterprise, but rather because of relocation of personnel and company priorities at this particular time.

A \$6,000,000 facility, which The Canada Systems Group has under construction in Sheridan Park, Mississauga, is scheduled for completion this summer. It will be the most modern computer operation in Canada, equipped with the latest generation of computer facilities. In addition to supplying data processing management and computer services to Canadian industry, the company will undertake major scientific and analytical projects together with systems engineering and management of major developments in transportation, community development, and related fields.

Work on the Stelco Tower, the new office building being constructed in the Lloyd D. Jackson Square, downtown Hamilton, by Yale Properties Limited, is progressing well. Current schedules call for completion next year and, if these can be maintained, our new

general offices there should be ready for occupancy by the middle of 1972. "Stelcoloy" weathering steel is being used for the exterior of the building and other Stelco products will be featured throughout.

At the end of next week, we will be reporting on the results for the first quarter. These results will not be as good as we had hoped. In the first place, the demand for many of our product lines, reflecting the slow-down in the economy, did not reach our expectations, and a number of our plants operated at reduced levels. At the same time, two blast furnaces at Hilton Works were down for repairs — one for a period of nine weeks — and the availability of hot metal for steel-making was restricted. This, together with the rebuilding of several open hearth furnaces, resulted in reduced ingot production and higher costs. Finally, the escalation in costs which occurred through 1970 has continued into 1971 and the selling price increases made in November provided only partial relief.

In March, however, there was an improvement over the preceding months. Shipments increased appreciably in response to a more active demand, and the Company's drive to cut costs and raise efficien-

cies helped to increase profit margins. This improving trend is expected to continue through the second quarter which, historically, is the busiest period of the year. Demand in most lines has been picking up and we are expecting the volume of shipments to increase from the levels of the early months, with a corresponding increase in output in many departments.

Beyond mid-year the prospects are, of course, less certain. We are largely at the mercy of the mood and performance of the Canadian economy but, if the expected recovery in consumer spending takes place and the upturn in residential construction is sustained, a more buoyant economy should assure a satisfactory level of operations for the remainder of the year. The possibility of a steel strike in the United States is now adding to the demand in Canada and the effects of this could grow, particularly if such a strike does, in fact, take place.

The problem of high costs will still be with us this year and, even under capacity operating conditions, the attainment of a satisfactory profit level will not be easy. All our efforts are being directed towards this end and we should eventually derive considerable benefit from the new facilities that

will be coming on stream this year and next year — the basic oxygen furnaces, coke ovens, the new billet mill and tinning line. In the meantime, we will practice every possible economy consistent with the highest levels of operating and managerial efficiency, along with meeting the short and long-term needs of our customers.

In closing, I would like to draw attention to the caption which appears on the inside front cover of the 1970 Annual Report. It reads as follows:

"This Annual Report features Stelco people at work and illustrates some of the many different occupations which comprise the Stelco organization. Within this co-ordinated community of knowledge and skills, individual excellence and effective organization are the keys to success for which the Company strives at all times".

It is in this vein that I would like to express to the employees at all levels my personal appreciation for their efforts and co-operation in the achievement of the 1970 results. To our many customers and to you, the shareholders, may I, on behalf of the Officers and Directors, also express my sincere thanks for your continued interest and support.

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THE STEEL COMPANY OF CANADA, LIMITED**Notice of the Annual Meeting**

Notice is hereby given that the Annual Meeting of the Shareholders of The Steel Company of Canada, Limited will be held at The Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in the City of Toronto, Ontario, at the hour of 10:30 a.m., Eastern standard time, on Monday, April 19, 1971 for the following purposes:

- (1) to receive the Annual Report of the Directors to the Shareholders and the Financial Statements for the year ended December 31, 1970;
- (2) to elect Directors;
- (3) to appoint Auditors;
- (4) to transact such other business as may properly be brought before the meeting.

Proxies must be delivered to the Secretary of the Company not later than 11:00 a.m., Eastern standard time, on April 16, 1971.

Dated at Toronto this 4th day of March, 1971.

By order of the Board of Directors

J. W. YOUNGER, Q.C.

Secretary

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please sign the enclosed proxy and return it as soon as possible in the envelope provided.

THE STEEL COMPANY OF CANADA, LIMITED

Information Circular

REVOCABILITY OF PROXY

A Shareholder who has given a proxy may revoke it by executing either a proxy bearing a later date or a written notice of revocation and delivering the same to the Secretary of the Company.

PERSONS OR COMPANIES MAKING THE SOLICITATION

This solicitation of proxies is made on behalf of the management of The Steel Company of Canada, Limited (hereinafter called "the Company") for use at the Annual Meeting of the Shareholders of the Company to be held on April 19, 1971 (hereinafter called "the Meeting") and at every adjournment thereof. The cost of solicitation will be borne by the Company.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

The management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company or any associate of any such person in any matter to be acted upon at the Meeting other than the election of Directors.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On February 15, 1971 there were outstanding 24,336,847 common shares of the Company, all of which, together with any additional shares which may be issued by April 19, 1971, are entitled to be voted at the Meeting. Each shareholder is entitled to one vote for each share of common stock registered in his name at the date of the Meeting. Neither the Directors nor senior officers of the Company know of any person or company owning, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all equity shares of the Company.

ELECTION OF DIRECTORS

The affairs of the Company are managed by a Board of fifteen Directors who are elected annually at each Annual Meeting of Shareholders to hold office until the next Annual Meeting and until their successors shall have been duly elected. The following table sets out the name of each of the persons proposed to be nominated for election as a Director; his principal occupation at present and during the preceding five years; all positions and offices in the Company held by him; the year in which he was first elected a Director; and the approximate number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, as of February 15, 1971. Each of such persons now is a Director and has served continuously in that capacity since his first election.

Name	Principal Occupation	Director Since	Approximate number of shares owned as of February 15, 1971
*W. Herman Browne	Chairman of the Board, Moore Corporation, Limited (business forms) since 1967 and previously President of that Company	1965	100
*Alistair M. Campbell	Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada (life insurance) since 1970 and previously President of that Company	1967	1,100
*J. Douglas Gibson, O.B.E.	Financial and Economic Consultant	1968	700
J. P. Gordon	Senior Vice-President of the Company since 1969, Vice-President, Operating 1966 to 1969 and previously Vice-President, Manufacturing	1970	3,457

Name	Principal Occupation	Director Since	Approximate number of shares owned as of February 15, 1971
J. Roy Gordon	Industrialist, member of the Executive Committee and Director, The International Nickel Company of Canada, Ltd., and previously Chairman of the Executive Committee 1965 to 1968	1961	1,000
*Allan Graydon, Q.C.	Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors, since 1967 and previously a partner of that firm	1955	580
*H. M. Griffith	President and Chief Executive Officer of the Company since 1968, President 1966 to 1968 and previously Executive Vice-President	1960	6,698
Senator The Hon. Ernest C. Manning, P.C., C.C.	President, M & M Systems Research Ltd. (consultants) since 1968 and previously Premier of the Province of Alberta	1969	10
Frederick C. Mannix	Director, Loram Ltd. (management services) since 1969 and previously Chairman of the Board of that Company	1967	200
*D. R. McMaster, Q.C.	Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau, Barristers & Solicitors since 1967 and previously in predecessor partnership Messrs. Holden, Hutchison, Cliff, McMaster, Meighen & Minnion	1962	54,336
L. G. Rolland	President & General Manager, Rolland Paper Company Limited (paper products)	1963	100
*V. W. Scully, C.M.G.	Chairman of the Board of the Company since 1968, Chairman and Chief Executive Officer 1966 to 1968 and previously President	1956	1,000
H. Greville Smith, C.B.E.	President, Canadian International Investment Trust Limited (investments)	1959	3,000
Henry G. Thode, C.C., Ph.D., F.R.S.	President and Vice-Chancellor, McMaster University	1969	100
William H. Young	President, The Hamilton Group Limited (holding company) since 1970 and previously President and General Manager The Hamilton Cotton Co. Ltd., (textiles)	1967	500

*Member of the Executive Committee.

REMUNERATION OF MANAGEMENT AND OTHERS

The following information is furnished as to the remuneration of management and others:

- (1) Aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and senior officers of the Company during the last completed financial year of the Company: \$ 1,314,547
- (2) Estimated aggregate cost to the Company and its subsidiaries in the last completed financial year of the Company of all pension benefits proposed to be paid to Directors and senior officers of the Company under the Company's Contributory Retirement Plan in the event of retirement at normal retirement age: \$ 206,610
No pension benefits are proposed to be paid by the Company to any Director who is not also an officer of the Company.
- (3) Aggregate of all remuneration payments other than items (1) and (2) above made during the last completed financial year of the Company and proposed to be made in the future, directly or indirectly, by the Company or its subsidiaries pursuant to any existing plan or arrangement to each person referred to in item (2) above: \$ Nil

- (4) Since the commencement of the last completed financial year of the Company the Directors and senior officers of the Company neither have been granted nor have exercised options to purchase common shares of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Company is not aware of any material interest, direct or indirect, of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company, or any associate or affiliate of any such person in any transaction since the commencement of the last completed financial year of the Company or in any proposed transaction which in either case has materially affected or will materially affect the Company or any of its subsidiaries.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Riddell, Stead & Co., Chartered Accountants, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Riddell, Stead & Co. have been auditors of the Company for more than five years.

GENERAL

The persons named in the enclosed form of proxy are Directors of the Company. A shareholder has the right to appoint some other person to represent him at the Meeting instead of the persons designated in the enclosed form of proxy and may do so either by inserting such person's name in the blank space provided in such form and deleting the names printed in such form or by completing another proper form of proxy and, in either case, delivering such proxy to the Secretary of the Company.

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form will be voted or withheld from voting, as specified therein, on any ballot that may be called for. Unless it is specified in the proxy that such shares shall be withheld from voting, such shares will be voted for the election as Directors of the persons designated in this information circular as nominees for such office and for the appointment of Riddell, Stead & Co. as auditors. The management of the Company does not contemplate that any of the proposed nominees will be unable to serve as a Director but, in the event that a proposed nominee does not stand for election or is unable to serve, proxies may be voted for another nominee designated by the Board of Directors. Where the shareholder executing such proxy specifies a choice with respect to any matter to be acted upon at the meeting other than the election of directors and the appointment of auditors, such shares will be voted in accordance with any specification so made. In the absence of such specification such shares will be voted for the approval and adoption of the annual report of the Directors to the Shareholders and the financial statements for the year ended December 31, 1970. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting.

An instrument appointing a proxy to represent a shareholder at the Meeting shall not be valid or acted upon unless it is made in writing and delivered to the Secretary of the Company not later than 11:00 a.m., Eastern standard time, on April 16, 1971.

Toronto, Ontario

As of February 15, 1971

By order of the Board of Directors,

J. W. YOUNGER, Q.C.,
Secretary

COMPANY PROFILE

The Steel Company of Canada, Limited, a publicly owned company, produces approximately 40% of the nation's steel and markets a greater variety of manufactured products than any other Canadian steel company. Its annual steelmaking capacity, currently about 5½ million tons, will increase to more than 6 million tons when expansion programs now under way are completed. The products of the Company include a wide range of flat rolled and coated steels, bars, rods, wire and wire products, pipe and tubing, fasteners and forgings.

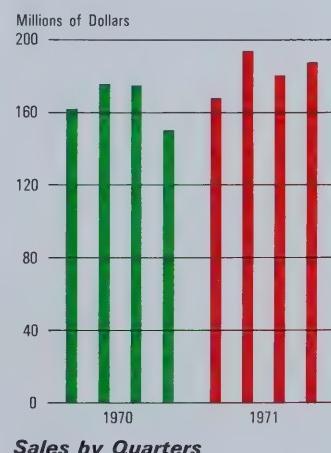
Stelco's operations are fully integrated and include the mining of coal, iron ore and limestone. Mining operations are located in Canada and the United States and manufacturing facilities, comprising eighteen plants, are situated in Ontario, Quebec, Alberta and Saskatchewan. The products of these plants are used throughout Canada and are also exported to more than fifty countries. There are sales offices in the major Canadian cities and several sales subsidiaries in Europe and South America.

The Company was formed in 1910 through the amalgamation of several Canadian companies engaged in iron and steelmaking and the manufacture of steel products. Keeping pace with the growth of the Canadian economy, Stelco now employs more than 21,000 people and has nearly 46,000 shareholders. Dividends have been paid every year since inception.

Approximately 96% of the Company's issued shares are held by residents of Canada. The shares are listed on the Montreal, Toronto and Vancouver Stock Exchanges.

The Year in Brief

	1971	1970 (Restated)
Sales	\$730,247,000	\$663,202,000
Net income	\$ 66,645,000	\$ 60,207,000
Per cent of sales	9.1%	9.1%
Per share	\$2.74	\$2.47
Dividends declared	\$ 30,430,000	\$ 29,202,000
Per share	\$1.25	\$1.20
New investment—plants and raw material properties	\$ 95,077,000	\$ 89,471,000
Depreciation	\$ 37,068,000	\$ 37,466,000
Materials and services bought and used	\$346,822,000	\$305,204,000
Total employment costs	\$234,547,000	\$221,216,000
Working capital, year end	\$203,663,000	\$217,982,000
Raw steel produced — net tons	4,673,000	4,801,000
Average number of employees	21,351	21,497
Number of shareholders, year end	45,829	49,985
Number of shares outstanding, year end	24,344,847	24,335,347



TO THE SHAREHOLDERS

Nineteen seventy-one was a successful year for your Company. New records were established for steel processed and steel products shipped. This was made possible by substantial purchases of semi-finished material to supplement raw steel output which was slightly lower than in 1970 due to furnace repairs in the early months. Sales revenues reached a record level for the seventh time in the past ten years and earnings were the second highest in the Company's history.

With many of Canada's major steel consuming industries showing signs of recovery from the weak business conditions which prevailed in 1970, the demand for most steel products improved before the end of the first quarter and continued strongly for the remainder of the year. Sales revenues amounted to \$730 million compared with \$663 million in 1970.

Net earnings amounted to \$66.6 million or \$2.74 a share compared with \$60.2 million or \$2.47 a share in the previous year. The effects of a change in the method of valuing inventories are reflected in the earnings for both years.

The improvement in earnings was the result of higher selling prices, reduced prices for purchased steel scrap, improved efficiency and operating economies, and a lower rate of income tax. These factors offset increased costs for raw materials and services purchased, as well as substantially higher employment costs.

In August, the new economic policies of the United States threatened the trend toward general business recovery in Canada but the immediate impact on Stelco and business generally was not as great as was first feared. The subsequent withdrawal of the United States' surcharge on imports removed an impediment to the Canadian recovery and helped to restore business confidence. However, the future pattern of economic development in this country could be profoundly affected by the outcome of current trade negotiations between Canada and the United States.

Two other unsettling influences on the Canadian business scene in 1971 were the proposed amendment to the Canada Labour Code and the



J. P. Gordon

H. M. Griffith

Competition Act. Your Company, along with a wide cross-section of Canadian business, expressed grave concern over severely restrictive provisions contained in the proposed legislation. It is to be hoped that if revised proposals are submitted to Parliament in 1972, they will be modified to take into account the criticisms and constructive suggestions that have been offered by the business community.

Expansion

The first important units in the large-scale expansion program at Hilton Works came on stream in 1971. These were the basic oxygen furnace plant and the third electrolytic tinning line. The other installations included in the program will be completed in 1972 and 1973, bringing the steelmaking and processing capacity of Hilton Works to over 6 million tons a year. Further studies are being conducted to determine the optimum production level at Hilton Works, but with the expected rate of growth in Canadian steel consumption, additional production facilities will almost certainly be required elsewhere by 1977 or 1978. Plans for development of the Company's Lake Erie site are proceeding accordingly.

Equipment was added during the year at certain of the fabricating plants to extend production capacity to meet a rising demand for various products, and a major addition to Gananoque Works was undertaken to provide a new press forging facility.

In anticipation of future demands for line pipe for oil and gas transmission, of which the Company is a major supplier, a decision was made to build a new spiralweld large diameter pipe mill. Construction of the mill will start in 1972.

Significant steps were also taken during the year to expand the Company's raw materials resources. The new Madison coal mine is scheduled to begin production in 1972, and arrangements have been completed for the development, in partnership with others, of another West Virginia coal property. An agreement has also been made to participate in the development of a new iron ore property in upper Michigan.

A number of important installations included in the program for protection of the environment were completed or started in 1971.

Construction of the Stelco Tower in Hamilton by Yale Properties Limited is proceeding satisfactorily. The building should be ready for occupancy late in 1972 at which time the Company's administrative and general office functions now located at Hilton Works will be transferred to the new premises.

Organization

Effective January 1, 1972, Mr. H. J. Clawson relinquished his responsibilities for the Personnel Division of the Company, being succeeded in this capacity by Mr. R. E. Heneault who was elected a Vice-President and an Executive Officer of the Company. Mr. Clawson, continuing as a Vice-President and Executive Officer, is now acting as a consultant on public affairs matters, as well as industrial relations.

Directors

It is with regret that your Directors announce the resignation on February 21, 1972 of Mr. Allan Graydon, Q.C., as a Director and member of the Executive Committee. Mr. Graydon was the senior member of the Board, having served as a Director since 1955. He had been a member of the Executive Committee since 1962.

Your Directors take this opportunity of recording their deep appreciation for Mr. Graydon's keen interest and wise counsel during his years of valued service to the Company and its shareholders.

The vacancy on the Board has been filled by the election of Mr. A. J. MacIntosh, Q.C., Partner, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors.

Outlook

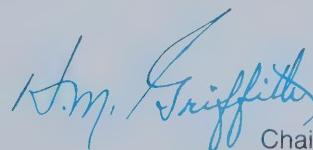
During most of 1972, the Canadian economy is expected to maintain the stronger rate of growth experienced since the early months of 1971. Accordingly, the outlook for the steel industry is good, with a record tonnage of steel consumption indicated. Stelco entered 1972 with a high rate of

operations, and demand in the first seven months is likely to be heightened by hedge-buying pending the outcome of forthcoming negotiations with the United Steelworkers of America for new labour contracts to replace those expiring on July 31. The Company's negotiating efforts will be aimed at reaching a fair and reasonable settlement as quickly as possible.

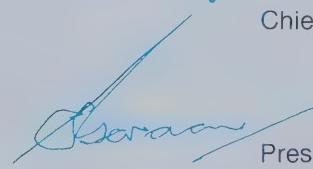
Export opportunities will depend on conditions in world steel markets which were somewhat depressed in 1971, on measures that may be adopted in the United States to improve that country's balance of payments, and, to a large extent, on the exchange value of the Canadian dollar. Assuming no drastic changes in United States' import policies or in international currency values, a recovery in world steel markets is expected to lead to increased export opportunities later in the year, and also to lessened steel import competition in Canada.

The long-term outlook for Canadian steel demand is promising. During the seventies, growth in steel consumption is expected to outpace real growth in the economy as a whole. However, the domestic steel industry's share of this expanding market will depend on its ability to withstand import competition, and since inflation still threatens the Canadian economy, it is important that all interested groups — labour, business and government — work towards retaining and improving the competitive position of Canadian industry.

Stelco's success in 1971 was made possible by the excellent performance of its employees. Their dedicated efforts are acknowledged with sincere thanks. The Directors also wish to express their appreciation for the confidence and support shown by shareholders, customers and suppliers.



Chairman and
Chief Executive Officer



President

Toronto, Canada
February 21, 1972.

REVIEW OF THE YEAR

FINANCIAL

Sales and Profits

Consolidated net sales for the year amounted to \$730,247,000 compared with \$663,202,000 in 1970, the previous record year. The increase of 10.1% was attributable in part to higher prices obtained for most of the Company's products in 1971.

Net income rose to \$66,645,000 or \$2.74 a share from \$60,207,000 or \$2.47 a share in 1970. The ratio of net income to sales was 9.1%, the same as in 1970, and the ratio of net income to shareholders' equity increased to 11.9% from 11.5% in the prior year.

The results for both years reflect a revised basis of inventory valuation which was introduced at the beginning of 1971. The method of valuing the major portion of the Company's inventories was changed at that time from "last-in, first-out" to a method which approximates average cost. Under conditions of rapidly rising costs, such as those experienced in recent years, the former method had become increasingly inappropriate and the change was made so that the Company's financial results would reflect more realistic inventory values. The effect of the change was to increase net income by \$4,628,000 in 1971 and \$4,231,000 in 1970 and to increase the balance of retained earnings from prior years by \$4,742,000.

The severe cost increases which had accumulated in 1970 continued into 1971 and, following adjustments to the selling prices of some major product lines in November 1970, other selling prices were increased in mid-year. In both cases, the price adjustments were investigated by the Prices and Incomes Commission which reported that the Company's increases in selling prices since 1968 were clearly less than the cost increases that had been absorbed.

In comparison with 1970, the improvement in earnings was achieved despite further cost increases which included a substantial advance in wage rates

under the terms of collective labour agreements. Favourable factors contributing to the increase in earnings were the higher selling prices, lower prices paid for steel scrap, improved operating efficiencies, and a concerted effort to reduce expenses. The Federal Government's reductions in the rate of corporate income tax were also helpful in offsetting higher costs.

Interest payable on long-term debt amounted to \$8,542,000 in 1971 compared with \$3,777,000 in 1970. The increase occurred as a result of the issue in October 1970 of \$60,000,000 of 9 1/4% Sinking Fund Debentures maturing in 1990.

Dividends

The quarterly dividend rate of 30 cents a share was maintained for the third successive year and, in addition, an extra distribution of 5 cents a share was declared for the fourth quarter. The total declaration of \$1.25 a share for the year amounted to \$30,430,000 compared with \$29,202,000 (\$1.20 a share) in 1970.

For income tax purposes, Canadian shareholders are entitled to deduct a depletion allowance of 10% from all dividends paid in 1971.

Capital Expenditures

Expenditures for plants and mining properties totalled \$95,077,000 in 1971, compared with \$89,471,000 in the previous year. The high level of capital spending in both years was due mainly to the expansion program at Hilton Works.

Capital projects approved during the year amounted to \$63,400,000 and at the end of the year the amount still to be spent on approved capital projects was approximately \$123,000,000. The corresponding commitment at the end of 1970 was \$166,000,000.

Working Capital

At December 31, 1971, working capital amounted to \$203,663,000. After dividends, the funds arising during the year from operations were not sufficient to provide for capital expenditures. The resulting net outflow of funds, including repayments of long-term debt, reduced working capital by \$14,319,000 from \$217,982,000 at the beginning of the year.

Cash and short-term investments declined from \$65,105,000 to \$34,461,000 and inventories rose moderately from \$167,751,000 to \$173,508,000.

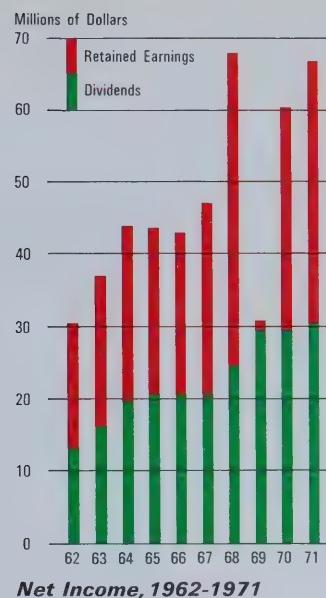
Accounts receivable and accounts payable were also higher. The ratio of current assets to current liabilities was 2.7 to 1 compared with 2.8 to 1 a year previously.

Investments in Associated Companies

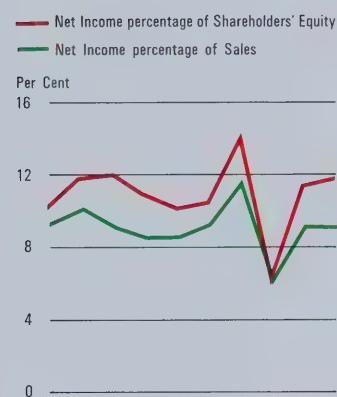
At the end of the year, investments in associated companies amounted, at cost, to \$23,131,000 compared with \$22,234,000 at December 31, 1970. In addition to advances in support of expanded operations at several of the companies concerned, the increase included Stelco's investment in The Canada Systems Group (EST) Limited, the computer systems and services company formed in conjunction with The T. Eaton Company Limited and TRW Inc. of Cleveland. The new company commenced operations in 1971 and its premises at Sheridan Research Park in Mississauga were officially opened in December by the Honourable William G. Davis, Prime Minister of Ontario. The computer services of the two Canadian owners are now being transferred to the new company, whose facilities, together with specialized systems and computer experience, are also being made available to others.



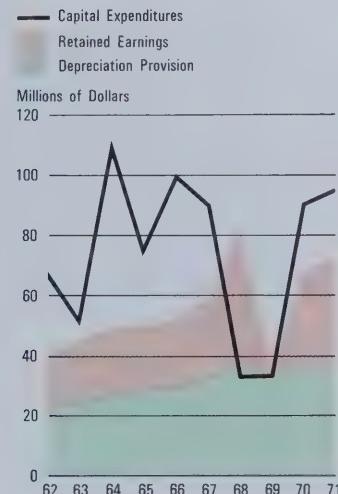
The Hon. William G. Davis, Prime Minister of Ontario, Mr. Allan Gotlieb, Federal Deputy Minister of Communications, and senior executives of the participating companies officiated at the December opening of the new premises of the Canada Systems Group (EST) Limited.



Net Income, 1962-1971



Return on Sales and Shareholders' Equity, 1962-1971



Capital Expenditures, Depreciation and Retained Earnings, 1962-1971

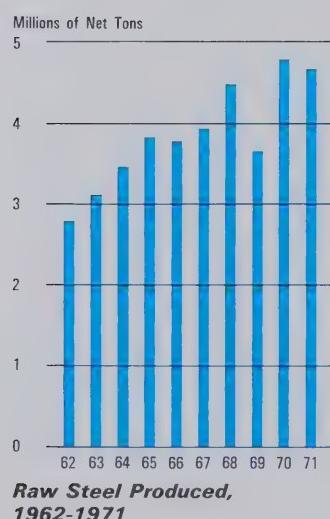
Taxation

The passage of the Federal Tax Reform Bill has removed some of the uncertainties that have existed in the Canadian business community in recent years and the new law is not expected to have any significant direct effect on Stelco's present operations. However, the complexity of the legislation and the fact that provincial tax laws have not yet been changed to conform with federal rules mean that administrative problems in the immediate future will be particularly burdensome.

It is encouraging to note the recognition given during the year by the two levels of government to the need for fiscal measures designed to stimulate the economy and accelerate business investment. The reduction in corporate and personal tax rates, together with the introduction of incentive programs aimed at encouraging capital spending, should be helpful in restoring business confidence and promoting a higher level of economic activity.

Shareholders

The number of Stelco shareholders at December 31, 1971, was 45,829 compared with 49,985 at the end of 1970. Residents of Canada held approximately 96% of the shares outstanding.



OPERATIONS

Raw steel production in 1971 was 4,673,000 tons, slightly less than the record 4,801,000 tons produced in 1970. Output was at the same high level as in the previous year for all quarters except the first, when furnace shut-downs occurred at Hilton Works in both the blast furnace and open hearth departments to enable repair and rebuilding work to be done. The resulting loss of production coincided with some slackness in the demand for steel products and operating levels in other processing and finishing departments at Hilton Works reflected this market weakness in the first two months.

Starting in March, operating rates responded to a quickening demand and continued at close to capacity levels in most departments for the remainder of the year. New monthly production records were achieved by many of the principal mills including the hot strip mill, the cold rolling mill, the billet mill, No. 2 rod mill, and the galvanizing mills.

At the fabricating plants, high operating rates prevailed in most departments after the first few months. Monthly output records were established by the rolling mills at Edmonton Steel Works, Alberta, and McMaster Works, Quebec. Production for orders of large diameter pipe exceeded expectations but the volume of business available in some categories of smaller pipe was less favourable and restricted the level of operations in the departments concerned.

New Facilities — Hilton Works

Although some delays were experienced due to construction industry strikes in the summer months, substantial progress was made on the various projects included in the program to raise annual steelmaking and processing capacity at Hilton Works to 6,000,000 tons or more.

No. 3 electrolytic tinning line was brought into operation in November. This new line, required to meet increasing demands for tinplate by the can manufacturing industry, is designed to produce 175,000 tons of tinplate a year at speeds of up to 1,500 feet per minute. With the addition of ancillary equipment, it will also be able to produce steel coils with a tin-free, chrome type of coating.



Tinplate being produced on No. 3 electrolytic tinning line, completed in November at Hilton Works.



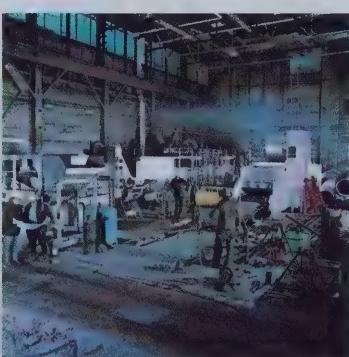
Two massive mill housings dominate the rolling equipment being installed in the new bloom and billet mill at Hilton Works.



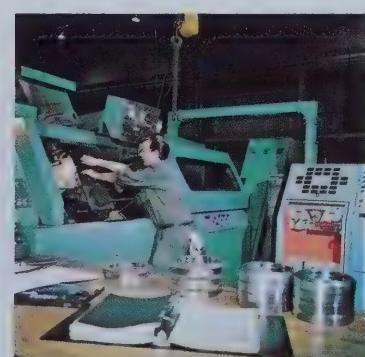
This recently installed automatic billet grinding machine at Hilton Works is equipped with a multi-cyclone suction unit to control the emission of particles.



General view of the new tinning line.



New heat treatment and bolt-making facilities under construction at Notre Dame Works, Montreal.



A numerically-controlled lathe installed in 1971 in the East Machine Shop at Hilton Works.

The new, three-furnace, basic oxygen steelmaking plant came into operation in December. This key facility in the expansion program is the subject of a special report beginning on page 17. Other important projects in the program, all under construction in 1971 and scheduled to be completed in 1972 and 1973, include:

- extended docking facilities
- a battery of 83 coke ovens
- more soaking pits in the universal slabbing mill and a new slab cooling and handling system
- an additional bloom and billet mill
- expanded finishing and shipping facilities in the 148" plate mill
- conversion of No. 1 rod mill for the production of bars.

New Facilities — Fabricating Plants

At Parkdale, Canada and Brantford Works, new equipment was installed to increase production capacity and meet growing demands and more exacting customer specifications for various types of wire and fastener products. A rock bolt manufacturing department to serve the needs of the mining industry was completed and brought into operation at Edmonton Finishing Works. A major expansion at Gananoque Works, which will add a press forging plant to the existing forging facilities, was started in 1971 and is expected to be completed late in 1972.

Among installations at other fabricating plants were a boltmaker and heat treating facilities since brought into operation at Notre Dame Works to meet a rising demand for high strength, heat treated bolts. At Frost Works, a welded fabric loom was added to increase production capacity and replace obsolete equipment.

A new spiralweld, large diameter pipe mill will be built to provide increased capacity for the production of line pipe for oil and gas transmission. Construction of the first stage was approved in December and the mill, scheduled to be ready for operation in 1974, will be equipped to produce pipe in diameters ranging from 30 to 60 inches.

Lake Erie Development

Planning for the development of an integrated steel-making and processing plant on the Lake Erie site continued throughout 1971. On the basis of current long-range projections, it is expected that the additional capacity to be provided by the new complex will be needed in the late nineteen seventies, and the planning and engineering studies are being conducted accordingly.

Baycoat Limited

To meet the growing demand for prefinished, colour coated sheets, Baycoat Limited is installing a second continuous coil coating line which will more than double the plant's capacity. The company is a 50%-owned affiliate of Stelco.

RAW MATERIALS

As in the previous two years, problems were encountered during 1971 in obtaining adequate supplies of satisfactory coking coals. Unauthorized work stoppages occurred sporadically throughout the United States' coal industry. An industry-wide strike of six weeks' duration followed the expiration of the contract between the coal operators and the United Mine Workers of America on October 1, 1971. Labour unrest and the industry strike curtailed operations and reduced output at the Chisholm, Olga and Mathies mines. The loss of production was offset by additional purchases of coking coals and coke.

Construction of the mine portals and coal preparation plant at the Company's new Madison Mine in West Virginia was started early in 1971. Although there was some interference with construction schedules as a result of the mineworkers' strike, it is expected that operation of the mine will begin in mid-1972 as originally planned. The property, which will have an annual production capacity of 700,000 tons of high-volatile metallurgical coal, is being developed by Kanawha Coal Company, a wholly-owned subsidiary.

A 12½% interest has been acquired in Beckley Coal Mining Company which is developing a low-volatile

coal property in West Virginia. Production is scheduled to begin in 1973 and Stelco's share will amount to 187,000 tons annually. Further potential coal reserves in Western Canada and the United States are being examined and appraised.

The Company's iron ore properties in Canada — Wabush Mines (25.6% owned), the Hilton Mine (50% owned), and the wholly-owned Griffith Mine — operated at capacity rates throughout the year. The Erie Mining Company in Minnesota (10% owned) experienced a short work stoppage at the termination of its contract with the United Steelworkers, but full operations were resumed after eighteen days. New labour contracts will be negotiated at all the Company's Canadian ore properties in 1972.

Operations at the Danube Mine of the Balkan Mining Company, Minnesota, were terminated in 1971 with the final depletion of its ore reserves. This open pit mine has been a regular source of supply of natural ore since the Company acquired a 33½% interest in the property in 1942.

Late in 1971, an agreement was reached to participate in the development of a new iron ore property in upper Michigan. Scheduled to come into operation in 1974, Stelco's share of the output from this mine will be equivalent in quantity and quality to the pelletized ore now being received from the Hilton Mine. Due to the exhaustion of its reserves, the Hilton Mine is expected to cease production about that time.

Preliminary negotiations for joint participation in additional Canadian iron ore developments are also under way.

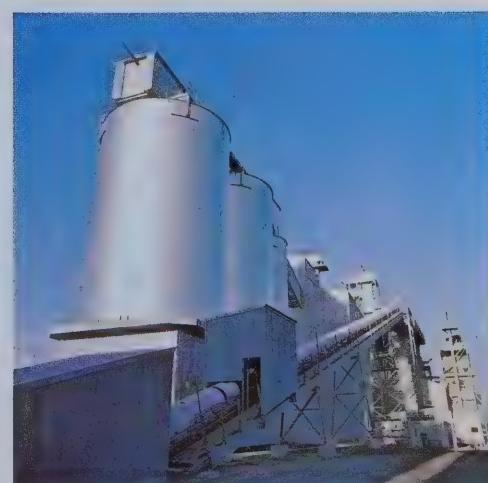
Expansion of the facilities at Chemical Lime Works in Beachville, Ontario, was completed in 1971. The addition of a new rotary lime-burning kiln has doubled the output capacity and ensures an adequate supply of lime and limestone to meet expanded needs at Hilton Works.



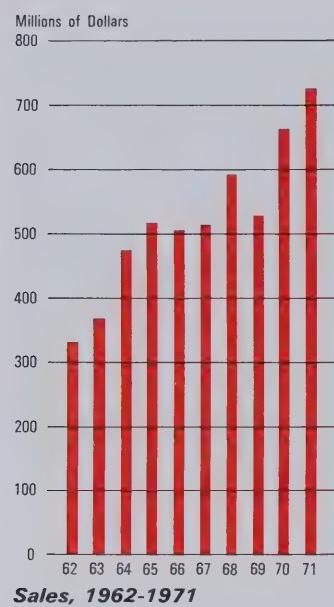
Unloading iron ore pellets at Hilton Works. The shipping vessel's self-unloader is equipped with a protective shield and water spray system to reduce dust.



Coal preparation plant under construction at the Company's new Madison Mine, West Virginia.



Lime silos and a limestone conveyor are part of the expanded production facilities at Chemical Lime Works, Beachville, Ontario.



MARKETING

To satisfy customers' requirements, it was again necessary to supplement steel production with steel purchased in semi-finished form. A record 3,689,000 tons of steel products were shipped in 1971 compared with the previous record of 3,517,000 tons shipped in 1970.

Domestic Markets

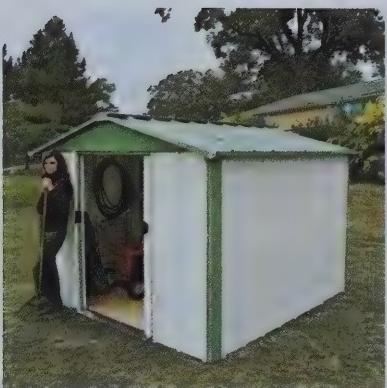
Sales to the automotive, agricultural equipment and appliance industries increased. There was a reduction in the demand for bars and other products for the construction industry, particularly in the first half of the year, but a substantial increase in housing starts added to the demand for finished steel products for residential construction. The volume of business from steel service centres, with the exception of orders for sheet products, was also lower than in the previous year. On the other hand, increased sales of large diameter pipe to the oil and gas industry were the second highest in the Company's history.

Once again, the benefits of an unusually broad range of products were particularly evident in a period of uneven demand.

Imports of steel products into Canada rose sharply and were approximately 40% greater than in the previous year. Although the imports, particularly those from low-wage countries, included many products within Stelco's range of manufacture, the general demand from steel consumers was sufficient to prevent any significant effect on the high rate of operations maintained for most of the year.

Exports

Offshore exports declined from the relatively high levels of the previous year, reflecting primarily the growing weakness in international steel markets and uncertainties created by the possibility of changes in the international monetary system. Although shipments to United States markets were restricted to a minor extent in the later months as a result of the United States' new economic program, the possible long-term effects of these programs and of realignments in international currencies cannot yet be assessed.



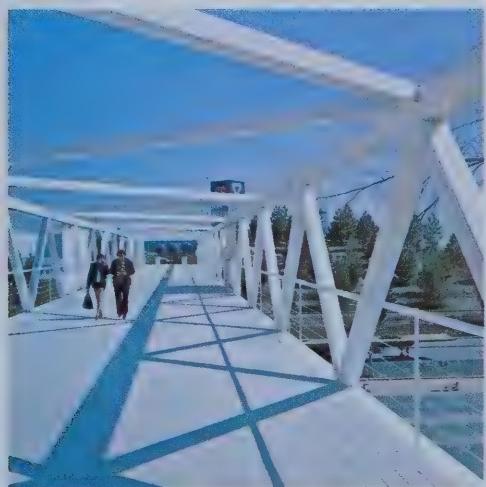
Garden buildings are a popular application for Stelcolour, the prefinished colour coated sheet steel.



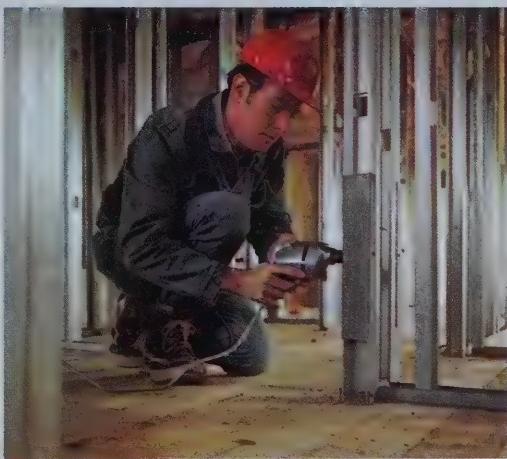
Stelco Siding, available in a variety of colours, offers low maintenance costs and good looks for homeowners.



Bell Canada's new 501-foot microwave tower in Scarborough, Ontario is made from Stelcoloy. It will never need paint.



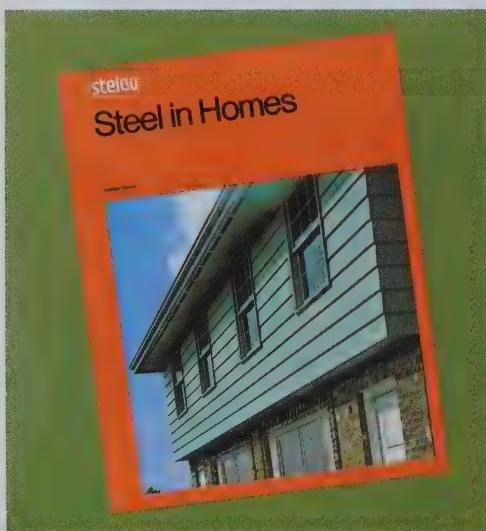
Stelco hollow structural sections were used with eye-catching effect on the bridge leading to Ontario Place, Toronto.



Non-load bearing steel studs made from Stelco sheet steel are becoming popular with home-builders. Straighter walls, quicker installation and cost savings are the result.



Instantaneous information on customers' order status is obtained by means of a computer system with cathode ray tube display.



One of Stelco's many technical publications.

To increase the Company's penetration in Latin American markets, new sales subsidiaries were established during the year. In Buenos Aires, Argentina, Ubbelohde-Stelco S.A.C.I.R. was formed to acquire the business of Alberto Ubbelohde y Cia., Stelco's former Buenos Aires representative. Stelco do Brazil Ltda. was incorporated in Sao Paulo to take over the former sales office of Ubbelohde do Brazil and Stelco de Venezuela S.R.L. was incorporated to operate a sales office in Caracas.

In its growing export business the Company has been encouraged by the numerous trade missions undertaken by the Department of Industry, Trade and Commerce. These missions frequently uncover both short and long-term trading opportunities in world markets.

Customer Service

A computerized system for instantaneous display of order status was extended during 1971 and is now being used to answer enquiries from customers regarding orders in process for hot rolled, cold rolled and galvanized sheet products. Similar new concepts in customer service are being adopted for other product lines. These systems will make use of electronic data processing to provide up-to-date information on inventories and improve the speed and dependability of delivery service to customers.

A new fastener products warehouse, opened in Winnipeg in 1971, is providing improved service for customers in that area.

Market Development — New Products

The introduction three years ago of specialized market development departments to serve such complex industries as automotive, steel construction, oil and gas, as well as steel service centres, has proved to be increasingly successful. These departments are able to assist in the design of new and changing products to encourage the use of steel. In 1971, a number of such developments were undertaken in cooperation with customers in a variety of product lines, and new design concepts were evolved for automotive bumpers, railway cars for grain service, farm buildings and fasteners.

Typical of these product development activities is Stelco Siding, introduced in 1971 to selected urban markets through an extensive advertising and sales promotion campaign. Having attained its initial objectives, this program is being continued on a broader basis in 1972.

The housing market appears to offer considerable potential for the increased use of steel, a development compatible with the construction industry's trend towards labour-saving designs and building techniques. While the average home today contains only one and a half tons of steel, an increase to five tons appears to be possible. To help achieve this objective, Stelco is actively promoting new design and marketing concepts for other homebuilding products and is planning to build a single-unit home in which steel components will be used throughout.

To support its vigorous building-with-steel campaign, the Company's marketing division employs a staff of highly-trained and skilled technicians who furnish technical aid, cost analyses and other important data to architects, engineers and other industry specialists whose work has an influence on purchasing policies. In addition, the Company distributes a wide range of technical publications and product literature to supplement its regular advertising and sales promotion efforts. Numerous special promotion programs were prepared during 1971 to help customers market their products and audio-visual aids were employed to illustrate new opportunities for the use of steel.

ENVIRONMENTAL CONTROL

Stelco is taking all practical steps to preserve air and water quality in the areas of its operations. Capital expenditures and commitments for environmental control equipment have so far amounted to approximately \$55,000,000 and further large sums will be spent for this purpose in the next few years.

A number of important projects were completed in 1971. At Hilton Works, substantial expenditures were incurred for electrostatic precipitators to control dust emissions. These units, together with bag filters,



Automatic Sampler. At regular intervals this device collects samples which are used for monitoring the quality control of effluent water.



Examining water samples from a pilot ion-exchange unit under test for the removal of chromates from electrolytic tinning line waste water. After treatment the water is recycled for rinsing.



Oil treatment plant under construction at Hilton Works for the collection and reprocessing of waste oil solutions. Cleaned water will be discharged.



1,800 members of the Hilton Works Quarter Century Club attended the annual banquet in June, 1971.



Cuff links and silverplate are included in a new series of employee service awards recently introduced.

were installed as part of the new basic oxygen steelmaking plant; an additional unit was provided at No. 3 open hearth department, and a new unit was added at the universal slabbing mill to control emissions from the scarfing process. Other completed installations include a bag filtering system for the sintering plant and the provision of additional capacity for hydrochloric acid regeneration to control water quality. A new sanitary sewer installation was also completed.

Further environmental equipment planned for Hilton Works in 1972 includes electrostatic precipitators and a waste water filtration plant for the new bloom and billet mill, an oil/water separation plant, and various air and water control facilities associated with the blast furnaces, universal slabbing mill, direct reduction kiln and the new coke oven battery. The closing of No. 2 open hearth department in 1972 will also help to improve environmental conditions.

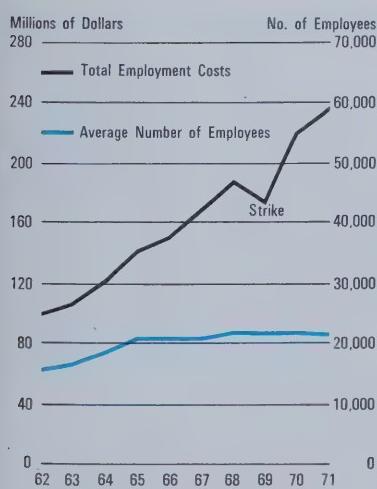
Early in 1972, furnace equipment at Page-Hersey Works in Welland will be converted from oil to gas firing to reduce emissions. In addition, other facilities will be introduced at Welland to meet the requirements of the Ontario Water Resources Commission for the treatment of waste water. Installations to improve water quality controls at other fabricating plants have also been completed or were in progress at the end of the year.

EMPLOYEES

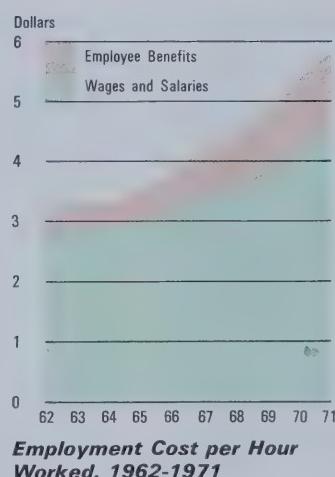
Satisfactory relations with employees were experienced throughout the year. Employment levels were high and relatively stable, due largely to the peak demand for primary products produced at Hilton Works. In the early months, some easing in the demand for fabricating works products resulted in temporary lay-offs at certain plant locations but most of the employees affected were later recalled. Total employment at the end of the year was greater than at the beginning.

EMPLOYMENT COSTS

	1971	1970
WAGES AND SALARIES		
For time worked	\$192,283,000	\$181,399,000
For vacations and statutory holidays	15,045,000	13,608,000
	\$207,328,000	\$195,007,000
SUPPLEMENTARY EMPLOYEE BENEFITS		
Pension costs	\$ 14,010,000	\$ 13,301,000
Group insurance plans and other benefits	9,443,000	9,392,000
Unemployment insurance and workmen's compensation	3,766,000	3,516,000
	\$ 27,219,000	\$ 26,209,000
TOTAL EMPLOYMENT COSTS	\$234,547,000	\$221,216,000
AVERAGE NUMBER OF EMPLOYEES	21,351	21,497
AVERAGE PER EMPLOYEE	\$10,985	\$10,291
EMPLOYEE BENEFITS		
Number of pensioners at year end	2,562	2,406
Pensions paid during the year	\$6,155,000	\$5,153,000
Total life insurance in force for employees at year end	\$298,352,000	\$279,335,000
Total death benefits paid to beneficiaries during year	\$1,546,000	\$1,331,000



Total Employment Costs and Number of Employees, 1962-1971



In accordance with the provisions of existing collective agreements, increases in wages and benefits amounting to 30.3 cents per hour were implemented during the year for the majority of hourly-paid employees. Adjustments were also made for salaried employees to ensure an equitable relationship with industry and community levels.

Union agreements with the United Steelworkers of America, who represent a major percentage of the Company's hourly-paid employees, will expire on July 31, 1972. Every effort will be made to expedite the negotiation of new agreements which will recognize the interests and requirements of both parties.

Continued emphasis was placed during the year on the training and development of employees at all levels. Retraining and skill-upgrading courses, including expanded apprenticeship courses, received special attention. Supervisory and managerial employees also participated in a wide variety of programs and the Company continued to support employee participation in outside educational courses by subsidizing tuition fees.

RESEARCH AND DEVELOPMENT

The Company's research activities in 1971 ranged from evaluations of raw materials sources to the development of new products. Many improvements were made in steel manufacturing processes and in steel product quality through the application of advanced technology. Of more than two hundred research projects currently in progress throughout the Company, the following are of major interest:

- To meet increasing requirements for molten iron to match the growth in steelmaking capacity, methods are being sought to raise the productivity of the blast furnaces at Hilton Works. One such method tested in 1971 included the use of large quantities of oxygen to enrich the hot air blast. The result was a substantial increase in pig iron output and a reduction in the amount of coke consumed.

- Limitations imposed by the human control of various processing units can frequently be overcome by the use of computer facilities. The introduction of computerized controls to maintain output rates which are closer to safe physical limits is particularly valuable in complex, high-speed operations. For this purpose, an operator-assistance computer program was developed and put into practice for the new basic oxygen furnace plant. Similar programs are also being developed for process control of the Company's blast furnaces.
- The potential market for oil and gas line pipe in Canada's northlands has spurred the development of steels suitable for arctic service. Such steels must meet a rigorous combination of strength, toughness and weldability standards. To develop the technology and operating practices necessary to produce steel pipe with these exacting properties, research work is under way in various departments of the Company as well as in outside research institutes.
- The market for coated steel products with good corrosion resistance and appearance is expanding. For testing purposes and market assessment, various quantities of these coated products were produced in 1971 on the Company's multi-purpose processing line at the Research Centre.

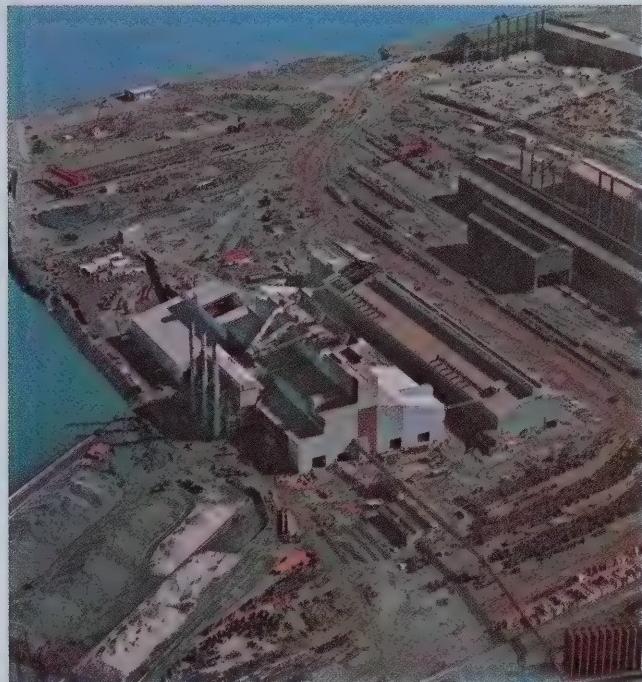
In addition, through systematic and scientific application of technology by the Company's research staff, a number of research projects arising from operating problems were successfully completed during the year.

BASIC OXYGEN STEELMAKING

Stelco's basic oxygen furnace plant came into operation in December, 1971. Consisting of three 120-ton steelmaking vessels, each 30 feet high, the plant is capable of producing at least 2.8 million tons of steel a year. The steelmaking building, equivalent to twenty storeys in height, occupies an area of eight acres and an adjacent building, used for the preparation of moulds, extends over a further three and a half acres. Using the latest electronic and computerized facilities, the process is highly automated and incorporates a new and novel method of handling moulds and ingots which eliminates the need for locomotives and provides for better quality control. To prevent atmospheric pollution, electrostatic precipitators and a fume collection system have been installed at a cost of approximately \$5 million.

The operating sequence of the process, from the production of molten iron in the blast furnace to the casting into ingots of the steel discharged from the oxygen converter, is depicted in the illustration on page 18.

The principal feature of the basic oxygen process is its use of high purity oxygen to support combustion in the refining of iron into steel. The operating unit consists of a cylindrical furnace or converter which is lined with refractory material. After being charged with specific quantities of steel scrap and molten

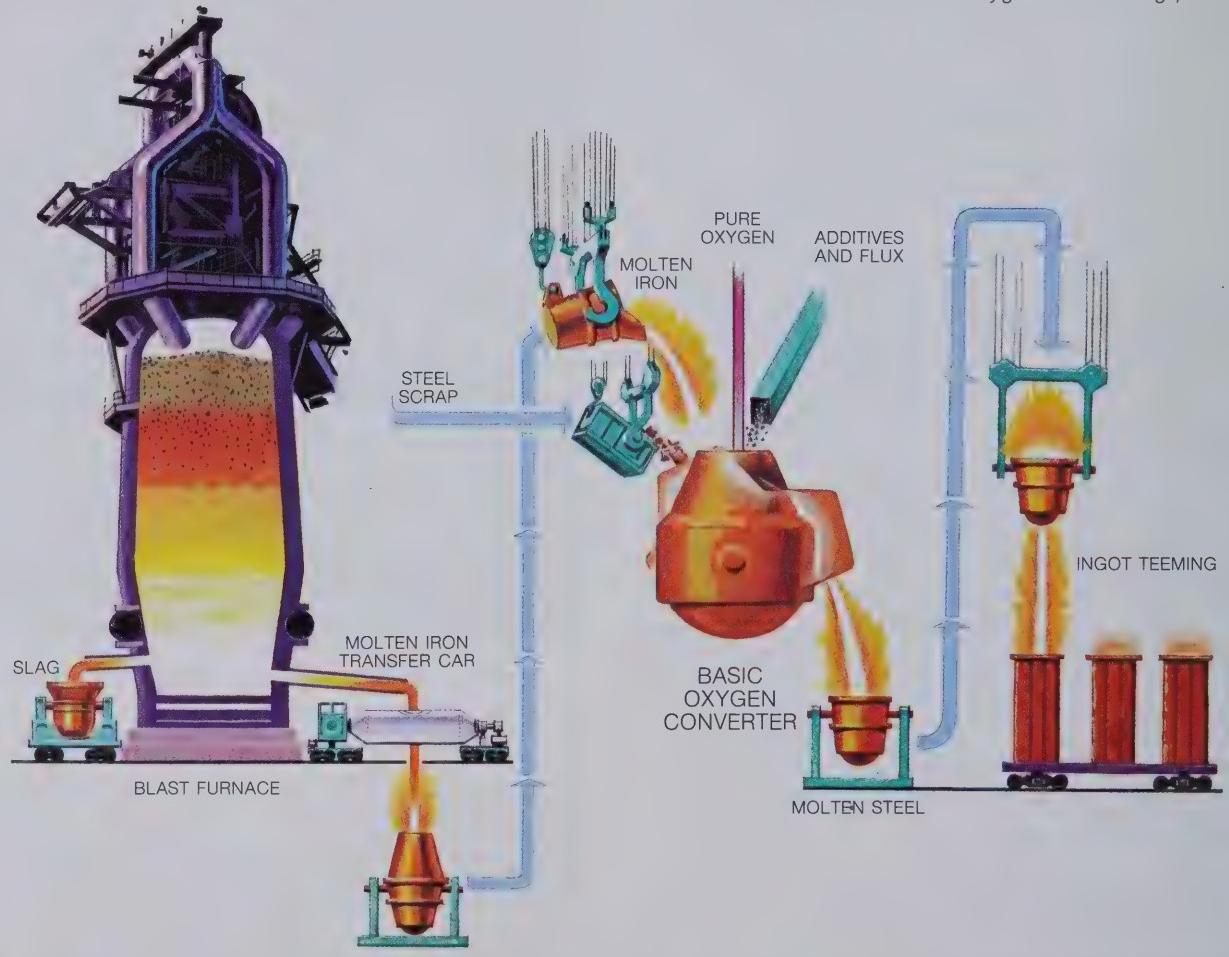


Aerial view of the B.O.F. plant nearing completion.



Air Quality Control. The fume collection and electrostatic precipitator section under construction.

Flow chart of the basic oxygen steelmaking process.



Charging steel scrap.



Charging molten iron.

blast furnace iron, the converter is rotated from a tilted to an upright position, a lance is lowered into the vessel and pure oxygen is blown onto the surface of the hot metal "bath" at high pressure. The resulting reaction between the oxygen and elements such as carbon and silicon in the charge, generates sufficient energy in the form of heat to melt the scrap and bring about a rapid reduction in the carbon and silicon content of the bath. Slag forming fluxes are added to complete the refining process, after which the furnace is tilted in the opposite direction to discharge the molten steel.

The main advantages of the process are reduced heat times, high productivity and lower operating costs. The time-saving results mainly from the high proportion of molten iron in the charge and the rapid heat reaction. A much lesser quantity of steel scrap can be used than with other methods, and fluctuations in the supply and demand for this type of raw material are, therefore, of less concern. By the same token, however, a correspondingly greater proportion of blast furnace capacity, with attendant coke ovens, is required for the basic oxygen process.

Steel
10+V



"Blowing" with pure oxygen.



Tapping.



Teeming into ingot moulds.

Return
to for



Sampling a heat for test purposes.

For many years, the Company's open hearth furnaces have been equipped to use volume oxygen to accelerate the refining process and, as a result, they rank among the most productive open hearth furnaces in the world. The Company has thereby gained most of the benefit offered by the basic oxygen process. The eventual move to the B.O.F. process was occasioned by the need for additional steelmaking beyond the capacity of the newer open hearth furnaces. The introduction of a modern and sufficiently large B.O.F. plant also permits the Company to shut down its older No. 2 open hearth furnaces which are not adaptable to the oxygen process.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year 1971	Year 1970 (Restated)
<i>Revenue</i>		
Sales	\$730,247,000	\$663,202,000
Income from short-term investments	1,748,000	1,974,000
	<u>731,995,000</u>	<u>665,176,000</u>
<i>Expense</i>		
Cost of sales, exclusive of the following items	575,990,000	522,896,000
Provision for depreciation (Note 5)	37,068,000	37,466,000
Interest on long-term debt	8,542,000	3,777,000
Provision for income taxes — current (Note 6)	34,465,000	38,933,000
— deferred	9,285,000	1,897,000
	<u>665,350,000</u>	<u>604,969,000</u>
<i>Net Income for the Year</i>	66,645,000	60,207,000
(Per share: 1971 — \$2.74, 1970 — \$2.47)		
<i>Retained Earnings at beginning of year</i>		
As previously reported	403,129,000	376,355,000
Inventory valuation adjustment affecting prior years (Note 7)	8,973,000	4,742,000
As restated	412,102,000	381,097,000
	<u>478,747,000</u>	<u>441,304,000</u>
<i>Deduct</i>		
Dividends declared — \$1.20 per share	29,213,000	29,202,000
Extra distribution — 5 cents per share	1,217,000	—
	<u>30,430,000</u>	<u>29,202,000</u>
<i>Retained Earnings at end of year</i>	<u>\$448,317,000</u>	<u>\$412,102,000</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31 1971	December 31 1970 (Restated)
<i>Current Assets</i>		
Cash	\$ 9,321,000	\$ 7,914,000
Short-term investments, at cost (approximates market value)	25,140,000	57,191,000
Accounts receivable	110,368,000	107,821,000
Inventories (Note 7)	173,508,000	167,751,000
Prepaid expenses	2,243,000	1,763,000
	320,580,000	342,440,000
Less		
<i>Current Liabilities</i>		
Accounts payable and accrued	94,628,000	86,052,000
Provision for income and other taxes	13,012,000	28,762,000
Dividend payable	8,521,000	7,301,000
Current portion of long-term debt	756,000	2,343,000
	116,917,000	124,458,000
<i>Working Capital</i>	203,663,000	217,982,000
Investments in Associated Companies, at cost (Note 8)	23,131,000	22,234,000
Fixed Assets, less depreciation (Note 9)	621,287,000	564,549,000
Unamortized Debenture Issue Expense	912,000	964,000
<i>Total Investment</i>	848,993,000	805,729,000
Less		
Long-term Debt (Note 10)	107,781,000	110,227,000
Provision for Deferred Income Taxes	161,284,000	151,999,000
<i>Shareholders' Equity</i>	\$579,928,000	\$543,503,000
Derived from:		
Common Shares — no par value (Note 11)		
Authorized — 35,000,000 shares		
Issued — 24,344,847 shares (1970 — 24,335,347 shares)	\$131,611,000	\$131,401,000
Retained Earnings in use in the business	448,317,000	412,102,000
<i>Shareholders' Equity</i>	\$579,928,000	\$543,503,000

Signed on behalf
of the Board:

K.M. Griffiths
Director

D. Soraas
Director

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

	Year 1971	Year 1970 (Restated)
<i>Additions to Working Capital</i>		
From operations:		
Net income for the year	\$ 66,645,000	\$ 60,207,000
Non-cash charges for		
depreciation	37,068,000	37,466,000
deferred income taxes	9,285,000	1,897,000
	<hr/> <u>112,998,000</u>	<hr/> <u>99,570,000</u>
Proceeds from issue of capital stock	210,000	—
Net proceeds from sale of debentures	—	59,028,000
Inventory valuation adjustment affecting prior years (Note 7)	—	4,742,000
Sundry items (net)	426,000	795,000
	<hr/> <i>Total Additions</i>	<hr/> <u>113,634,000</u>
<i>Deductions from Working Capital</i>		
Expenditures for fixed assets	94,180,000	88,345,000
Investments in associated companies (net)	897,000	1,126,000
Reduction of long-term debt	2,446,000	3,990,000
Dividends declared	30,430,000	29,202,000
	<hr/> <i>Total Deductions</i>	<hr/> <u>127,953,000</u>
<i>Increase (Decrease) in Working Capital</i>		
Working Capital at beginning of year	(14,319,000)	41,472,000
Working Capital at end of year	<hr/> <u>217,982,000</u>	<hr/> <u>176,510,000</u>
	<hr/> <u>\$203,663,000</u>	<hr/> <u>\$217,982,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, DECEMBER 31, 1971

1. It is estimated that \$123,000,000 will be required to complete approved capital programs.
2. The Company, as a shareholder of Erie Mining Company, is entitled to 10% of Erie's production of iron ore pellets, for which it is committed to pay 10% of Erie's costs, including a minimum annual charge of \$2,000,000 for depreciation to cover the repayment of 10% of Erie's long-term debt.
3. Pension costs charged against income in the year include payments made to trust funds, under the Companies' pension plans, for current and past service requirements as determined by an independent actuary. Past service costs are being funded over periods not exceeding 25 years. The total unfunded past service liability at December 31, 1971 is estimated at approximately \$74,000,000.
4. Accounts originating in foreign currencies have been converted generally at current rates of exchange except for plant and property values which have been converted at rates in effect at the date of acquisition.
5. Provision for depreciation is calculated using the straight-line method at rates based on the estimated useful lives of depreciable assets.
6. Income from The Griffith Mine is exempt from income tax for a period of thirty-six months commencing December 1, 1969. In 1971, this exemption resulted in a reduction of approximately \$5,500,000 in the provision for income taxes.

7. Inventories

	1971	1970 (Restated)
Raw materials and supplies	\$ 77,374,000	\$ 71,505,000
Finished and semi-finished products	96,134,000	96,246,000
	\$ 173,508,000	\$167,751,000

Inventories are valued at the lowest of cost, replacement cost and net realizable value.

Effective January 1, 1971, the method of determining cost for the major portion of the Company's inventories was changed from "last-in, first-out" to a method approximating average cost. The consequent increase in net income was \$4,628,000 (19 cents a share) for 1971 and \$4,231,000 (17 cents a share) for 1970. The 1970 results have been restated accordingly.

8. The cost of investments in associated companies amounted to \$23,131,000 at December 31, 1971, at which date the net equity value of the investments, as recorded in the accounts of the associated companies, was \$24,350,000.

9. Fixed Assets

	1971	1970
Raw material properties, at cost	\$ 159,750,000	\$ 154,020,000
Manufacturing plants and properties, at cost	1,007,953,000	923,444,000
	1,167,703,000	1,077,464,000
Less accumulated depreciation	546,416,000	512,915,000
	\$ 621,287,000	\$ 564,549,000

10. Long-term Debt

	1971	1970
4 1/4% sinking fund debentures due April 1, 1971	\$ —	\$ 1,586,000
5 1/2% sinking fund debentures due April 1, 1983	2,688,000	3,292,000
(Annual sinking fund requirement \$350,000 — 1971 through 1974; \$400,000 — 1975 through 1982: fulfilled to April 1, 1980)		
5 5/8% sinking fund debentures due May 1, 1990	45,849,000	47,692,000
(Annual sinking fund requirement \$1,250,000)		
9 1/4% sinking fund debentures due November 1, 1990	60,000,000	60,000,000
(Annual sinking fund requirement \$1,500,000 — 1976 through 1983; \$2,000,000 — 1984 through 1989)		
	108,537,000	112,570,000
Less current portion included in current liabilities.....	756,000	2,343,000
	\$ 107,781,000	\$110,227,000

11. In accordance with a Stock Option Policy adopted in 1965, 264,000 common shares are reserved for stock options. At December 31, 1971, options were outstanding in respect of 160,700 shares at prices ranging from \$18.75 to \$25.50 per share, including 105,200 shares under option to officers, the options expiring on various dates between December 1975 and February 1978. During the year, 9,500 shares were issued for an aggregate cash consideration of \$210,000.

12. Information pursuant to Section 122.2 of the Canada Corporations Act for the year ended December 31, 1971:

Number of directors	15
Aggregate remuneration as directors	\$101,917
Number of officers	20
Aggregate remuneration as officers	\$1,136,448
Number of officers who are directors	2

AUDITORS' REPORT

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto 111, Ontario

To The Shareholders
The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited and its subsidiary companies at December 31, 1971 and the consolidated statements of income and retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1971 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in method of valuing inventories referred to in Note 7 to the financial statements, on a basis consistent with that of the preceding year.

February 10, 1972

Riddell, Stead & Co.

TEN YEAR STATISTICAL SUMMARY

Dollars in thousands except as indicated*

	1971	1970 (Restated)	1969 ⁽¹⁾
OPERATIONS (thousands of net tons)			
Raw steel produced	4,673	4,801	3,670
Total raw steel processed (including purchases)	5,214	4,955	4,076
INCOME AND RELATED DATA			
Sales	\$ 730,247	663,202	528,037
Depreciation	\$ 37,068	37,466	33,415
Income taxes	\$ 43,750	40,830	24,853
Net income	\$ 66,645	60,207	31,070
Per share ^{(2)*}	\$2.74	2.47	1.28
Per cent of sales	9.1%	9.1	5.9
Per cent of shareholders' equity	11.9%	11.5	6.1
Dividends (including extra distributions)	\$ 30,430	29,202	29,201
Per share ^{(2)*}	\$1.25	1.20	1.20
CAPITAL EXPENDITURES	\$ 95,077	89,471	33,344
FINANCIAL POSITION, YEAR END			
Working capital	\$ 203,663	217,982	176,510
Fixed assets — net	\$ 621,287	564,549	514,457
Shareholders' equity	\$ 579,928	543,503	507,756
Per share ^{(2)*}	\$23.82	22.33	20.87
EMPLOYMENT			
Average number of employees	21,351	21,497	21,792
Total employment costs	\$ 234,547	221,216	176,223
Employees' average weekly earnings*	\$186.35	173.46	156.38
NUMBER OF SHAREHOLDERS, YEAR END	45,829	49,985	51,730

⁽¹⁾ 1969 operations interrupted by strike — 80 days.

⁽²⁾ Adjusted for subdivision of shares in 1962.

1968	1967	1966	1965	1964	1963	1962
4,485	3,966	3,794	3,846	3,479	3,110	2,779
4,591	4,087	4,086	4,137	3,884	3,122	2,768
589,613	512,386	504,763	516,406	477,823	370,989	332,205
37,111	33,058	29,500	27,594	26,003	24,081	22,631
37,455	24,357	33,051	38,808	33,791	31,680	26,350
67,971	46,733	42,744	43,454	43,630	37,095	30,299
2.79	1.94	1.77	1.80	1.91	1.82	1.50
11.5	9.1	8.5	8.4	9.1	10.0	9.1
14.1	10.5	10.1	10.9	12.0	11.8	10.2
24,329	20,518	20,518	20,518	19,752	15,723	12,653
1.00	.85	.85	.85	.85	.77½	.62½
33,498	89,212	99,542	75,540	109,306	52,236	67,036
175,810	123,861	138,560	180,355	122,695	125,348	118,681
515,331	519,817	464,313	396,291	350,863	234,035	206,530
505,794	458,943	432,728	410,503	388,578	326,437	302,721
20.79	19.01	17.93	17.01	16.10	16.02	14.95
21,584	20,556	20,360	20,262	18,584	16,599	15,692
186,948	169,219	151,708	143,179	123,864	107,386	98,464
146.52	138.65	130.98	125.13	121.33	117.00	114.71
52,520	53,340	53,017	46,597	40,973	30,297	25,746

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DIRECTORS

- *W. Herman Browne, Toronto
Chairman of the Board, Moore Corporation, Limited
 - *Alistair M. Campbell, Montreal
Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada
 - *J. Douglas Gibson, O.B.E., Toronto
Financial and Economic Consultant
 - *J. Peter Gordon, Toronto
President of the Company
 - J. Roy Gordon, New York
Industrialist
 - *Allan Graydon, Q.C., Toronto
Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors
 - *H. M. Griffith, Toronto
Chairman of the Board and Chief Executive Officer of the Company
 - Senator The Hon. Ernest C. Manning, P.C., C.C., Edmonton
President, M & M Systems Research Ltd.
 - Frederick C. Mannix, Calgary
Director, Loram Ltd.
 - *D. R. McMaster, Q.C., Montreal
Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau,
Barristers & Solicitors
 - Lucien G. Rolland, Montreal
President and General Manager, Rolland Paper Company, Limited
 - *V. W. Scully, C.M.G., Toronto
Chairman of the Executive Committee of the Company
 - H. Greville Smith, C.B.E., Montreal
President, Canadian International Investment Trust Limited
 - Henry G. Thode, C.C., Ph.D., F.R.S., Hamilton
President and Vice-Chancellor, McMaster University
 - William H. Young, Hamilton
President, The Hamilton Group Limited
- * Member of the Executive Committee

EXECUTIVE OFFICERS

- H. M. Griffith
Chairman of the Board and
Chief Executive Officer
- J. P. Gordon
President
- H. J. Clawson
Vice-President
- N. J. Brown
Vice-President and Comptroller
- R. B. Taylor
Vice-President and Treasurer
- A. D. Fisher
Vice-President, Facilities Planning,
Engineering and Research
- A. R. McMurrich
Vice-President, Marketing
- G. H. G. Layt
Vice-President, Operations
- J. D. Allan
Vice-President, Corporate Planning
- R. E. Heneault
Vice-President, Personnel
- J. W. Younger, Q.C.
Secretary and General Counsel

VICE-PRESIDENTS

- L. H. Doering
Marketing Administration
- A. J. Harris
Manufacturing
- R. H. Macdonald
Product Sales
- S. W. McDermott
Manufacturing
- A. R. Oliver
Procurement

OFFICES AND PLANTS

HEAD OFFICE

P.O. Box 205, Toronto-Dominion Centre,
Toronto 111, Ontario

GENERAL OFFICES

Hamilton, Ontario
Montreal, Quebec — Eastern Region
Edmonton, Alberta — Western Region

SALES OFFICES

Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Halifax, Nova Scotia
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Toronto, Ontario
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

PLANTS

ONTARIO

Hamilton	— Hilton Works
	— Canada Works
	— Parkdale Works
	— Frost Works
	— Canadian Drawn Works
Brantford	— Brantford Works
Toronto	— Swansea Works
Gananoque	— Gananoque Works
Welland	— Page-Hersey Works
	— Welland Tube Works

QUEBEC

Montreal	— Notre Dame Works
	— St. Henry Works
Lachine	— Dominion Works
Contrecoeur	— McMaster Works

ALBERTA

Edmonton	— Stelco Edmonton, Steel Works
	— Stelco Edmonton, Finishing Works
Camrose	— Camrose Works

SASKATCHEWAN

Regina	— Saskatchewan Steel Fabricators Ltd.
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SUBSIDIARIES, RAW MATERIAL PROPERTIES AND ASSOCIATED COMPANIES

SUBSIDIARY COMPANIES WHOLLY OWNED

(*Consolidated in Financial Statements*)

Saskatchewan Steel Fabricators Ltd., Regina, Sask.
Frost Steel and Wire Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company Quebec, Limited, Montreal, Que.
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky.
Kanawha Coal Company, Ashford, W. Va.
Stelco Nederland N.V., Amsterdam, The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited, London, England
Ubbelohde-Stelco S.A.C., I. y de R., Buenos Aires, Argentina
Stelco do Brazil Ltda., Sao Paulo, Brazil
Stelco de Venezuela S.R.L., Caracas, Venezuela

RAW MATERIAL PROPERTIES

(*Ownership interest consolidated in
Financial Statements*)

	% Owned
The Hilton Mines, Que. (Iron ore)	50.0
Wabush Mines, Nfld. and Que. (Iron ore)	25.6
The Griffith Mine, Ont. (Iron ore)	100.0
Chisholm Mine, Ky. (Coal)	100.0
Madison Mine, W. Va. (Coal)	100.0
Chemical Lime Works, Ont. (Limestone)	100.0

ASSOCIATED COMPANIES

(*Included in Investments in Associated
Companies in Financial Statements*)

	% Owned
Baycoat Limited, Ont.	50.0
The Canada Systems Group (EST) Limited, Ont.	33.3
Arnaud Railway Company, Que.	25.6
Knoll Lake Minerals Limited, Nfld.	14.8
Wabush Lake Railway Company, Limited, Nfld.	25.6
Northern Airport Limited, Nfld.	12.8
Northern Land Company Limited, Nfld.	12.8
Twin Falls Power Corporation, Limited, Nfld.	4.4
Erie Mining Company, Minn.	10.0
Ontario Iron Company, Minn.	10.0
Mathies Coal Company, Pa.	13.3
Olga Coal Company, W. Va.	10.0
Beckley Coal Mining Company, W. Va.	12.5

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THE STEEL COMPANY OF CANADA, LIMITED
Toronto, Ontario